

CHAPTER IV—HOME OWNERS' LOAN CORPORATION

Part

- 401 General
- 402 Loan Service Division
- 403 Property Management Division
- 404 Appraisal Section
- 405 Reconditioning Section
- 406 Legal Department
- 407 Treasury Section

Part

- 408 Accounting Section
- 409 Insurance Section
- 410 Purchase and Supply Section
- 411 Personnel Department
- 412 Travel regulations; per diem allowance
- 413 Rental and contracts

CROSS REFERENCES

Federal Home Loan Bank Board: See Chapter I.

Federal Savings and Loan Insurance Corporation: See Chapter III.

Federal Savings and Loan System: See Chapter II.

EDITORIAL NOTE: For list of abbreviations used in this chapter, see note to § 401.49.

PART 401—GENERAL

Sec.

- Ground rents
- 401.49 Maryland ground rents.
Investment in securities of savings and loan associations
- 401.50 Authority.
- 401.51 Procedure for Federal savings and loan associations.
- 401.52 Procedure for State chartered associations.
- 401.53 Acceptance requirements.
- 401.54 Repurchase and withdrawal requirements.

Sec.

- 401.55 Approved applicants.
- 401.56 80 percent loan limitation.
- 401.57 Fidelity bond requirements.
- 401.58 Repurchase requests.
- 401.59 Quadruplicate forms.
- 401.60 Discretion of Corporation.
Designation of Federal savings and loan associations as agents
- 401.61 Federal savings and loan associations, agents of Home Owners' Loan Corporation.

GROUND RENTS

Section 401.49 Maryland ground rents. The General Manager is authorized with the advice of the General Counsel, in those cases in which the Corporation has become or shall become the owner of a leasehold interest in lands situated in the State of Maryland on which it originally granted a loan, to purchase or redeem the reversionary interest in such lands for such price and on such terms and conditions as he may determine to be for the best interest of the Corporation.

The authority herein vested in the General Manager may be exercised also by the Regional Manager with the advice of the Regional Counsel, except that the Regional Manager may not purchase or redeem such reversionary interests for an amount, exclusive of incidental costs and expenses, in excess of the value of the annual ground rent capitalized on the basis of 6 percent.

The purchase price together with any necessary charges and expenses, shall be paid on vouchers approved by the General Manager

and General Counsel, or by the Regional Manager and the Regional Counsel, except that any legal expenses shall be incurred and the amount and payment thereof approved as provided in Part 406 and in Chapter VI of the Consolidated Manual.*† [2/15/38]

*§§ 401.49 to 401.61, inclusive, issued under the authority contained in sec. 4 (a), (k), Home Owners' Loan Act of 1933, 48 Stat. 129, 132, sec. 13, 48 Stat. 647, sec. 4 (n), as added by sec. 17 (a), 49 Stat. 297, sec. 5 (j), as added by sec. 5, 48 Stat. 645; 12 U.S.C. 1463 (a), (k), 12 U.S.C., Sup., 1463 (n), 12 U.S.C., 1464 (j).

†The source of §§ 401.49 to 401.61, inclusive, is Rules and regulations of the Home Owners' Loan Corporation. The date of promulgation appears at the end of each section or paragraph. Numbers without a dash (—) are resolutions of the Federal Home Loan Bank Board. Numbers containing a dash (—) are administrative orders promulgated by officers of the Home Owners' Loan Corporation pursuant to authority vested in them by the Board for that purpose.

ABBREVIATIONS: The following abbreviations are used in this chapter:

A.O.	Administrative Order.
W.A.E.	When actually employed.
HOLC	Home Owners' Loan Corporation.

INVESTMENT IN SECURITIES OF SAVINGS AND LOAN ASSOCIATIONS

401.50 Authority. Purchase of full paid income shares of Federal savings and loan associations shall be made on the same terms and conditions as have been heretofore authorized by law for the purchase of such shares by the Secretary of the Treasury, Provided, That the total amount of such shares in any one association held by the Secretary of the Treasury and the Corporation shall not exceed the total amount of such shares heretofore authorized to be held by the Secretary of the Treasury in any one association, and the Corporation may make deposits and purchase certificates of deposit, investment certificates and/or shares, in any institution, which is (a) a member of a Federal Home Loan Bank, or (b) whose accounts are insured under Title IV of the National Housing Act (48 Stat. 1255; 12 U.S.C. 1724-1730), as amended, if the institution is eligible for insurance under such Title. Purchases herein authorized shall be made under the following procedure on such approved forms as are provided therefor.

Subscription to shares of state chartered building and loan associations shall be made in conformance with the procedure hereinafter prescribed for subscription by the Corporation to shares of Federal savings and loan associations.*† [6/1/38]

CROSS REFERENCES: For conditions under which purchase by Home Owners' Loan Corporation of full-paid income shares may be requested, see § 203.7. For investment and redemption procedure for Home Owners' Loan Corporation and Secretary of the Treasury, see § 203.8.

401.51 Procedure for Federal savings and loan associations. Any Federal savings and loan association may request the Corporation to purchase its full-paid income shares on the forms approved by the Board supported by:

- (a) Statement of condition on the forms approved by the Board.
- (b) Statement of loans (aggregating approximately the amount of the last preceding purchase by the Secretary of the Treasury of the United States or the Corporation) made since such last request to the

Secretary of the Treasury or the Corporation (if such previous request has been made), using the form approved by the Board.

(c) The tender by the applicant of a duly executed certificate of full-paid income shares for the amount of such shares requested to be purchased, issued in the name of "Home Owners' Loan Corporation". Such tender shall be made with the understanding that if the request for purchase is approved and such purchase is made by the Corporation, certificates evidencing the interest purchased shall be delivered to the Corporation and such securities shall become issued and outstanding securities on the date of such purchase by the Corporation.*† [6/1/38]

401.52 Procedure for State chartered associations. Any institution which is a member of a Federal Home Loan Bank or whose accounts are insured under Title IV of the National Housing Act (48 Stat. 1255; 12 U.S.C. 1724-1730), as amended, may make application to the Corporation requesting it to purchase the shares, certificates of deposit or investment certificates of the applicant in the forms approved by the Board, and supported as follows:

(a) If the applicant is an insured institution, such application shall be supported by:

(1) Statement of condition on the form approved by the Board.

(2) Statement of loans (aggregating approximately the amount of the last preceding purchase by the Corporation) made since such last request to the Corporation (if any such previous request has been made) using the form approved by the Board.

(3) If the applicant issues only one class of shares which participate equally in dividends and assets with all other shares, and does not accept deposits, applicant shall tender fully executed certificates of share interest for an amount equal to the amount of shares of such association requested to be purchased, issued in the name of "Home Owners' Loan Corporation". If the applicant issues more than one class of securities (that is, different classes of shares which participate unequally in assets or earnings with other classes or shares or certificates of deposit or investment certificates), the applicant shall tender fully executed certificates issued in the name of "Home Owners' Loan Corporation" evidencing the type of share interest or of creditor interest which gives to the holder of such security the most preferred participation in the assets and earnings of the institution. Such tender shall be made with the understanding that if the request for purchase is approved and such purchase is made by the Corporation, certificates evidencing the interest purchased shall be delivered to the Corporation and such securities shall become issued and outstanding securities on the date of such purchase by the Corporation. The securities tendered shall expressly provide how income thereon shall accrue and be payable in accordance with the charter and bylaws of the applicant.

(b) If the applicant is a member of a Federal Home Loan Bank but not an insured institution, such application shall be supported by:

(1) The financial report forms containing statements regarding the financial policies, condition, and management, which applicants

*†For statutory and source citations, see note to § 401.49.

for membership in a Federal Home Loan Bank are at the time of this application required to file in support of such application for membership, together with appropriate schedules.

(2) Statement of loans on the forms approved by the Board.

(3) Executed forms of securities shall be tendered in the manner and upon the conditions set forth in (a) (3) of this section.*† [6/1/38]

401.53 Acceptance requirements. Upon receipt by the Corporation of any such request, properly authorized, executed and supported, the applicant will be informed either:

(a) That the Corporation rules that such request is approved without further examination, in which event the applicant will be required to pay the cost of office analysis of the application, as computed by the Corporation, or

(b) That such request cannot be approved on the data submitted and that further examination and/or appraisal is necessary to determine whether the Corporation will make such purchase.

In the latter event, the applicant may either:

(1) Withdraw its application, or

(2) Request the Corporation to make such examination and/or appraisal as in its judgment may be necessary to determine whether the financial condition and the character of the Management are such that the purchase may be safely made by the Corporation. The examination shall be made in such manner as may be prescribed by the Corporation, the cost, as computed by the Corporation, of any such examination of applicant, including office analysis, audit and appraisals made in connection with such examination, overhead, per diem and travel expense, shall be paid by the applicant before any such purchase will be consummated. If the Corporation rules that appraisals are necessary in connection with any such examination, such appraisals will be conducted in accordance with the procedure governing appraisals made by the Federal Home Loan Bank Board in connection with the examinations conducted by said Board. It will be the policy of the Corporation by such purchases to make funds available for the encouragement of local home financing in the community to be served and for the reasonable financing of homes in such community. It is expected that substantially all of such funds will be employed in the financing of homes. Applicants for such funds whose total assets are less than \$100,000 may apply for investment by the Corporation at any time. Applicants for such funds whose total assets exceed \$100,000 shall first use at least 10 percent of their borrowing capacity to secure funds. Such applicant which shall have used 10 percent of its borrowing capacity shall be eligible for investments by the Corporation in amounts which at no time exceed sums borrowed by applicant in addition to the aforesaid 10 percent of its borrowing capacity until the applicant has exhausted 30 percent of its borrowing capacity, which percentage shall be the maximum use of its borrowing capacity required at any time to qualify the applicant for further approval of investments by the Corporation. On and after September 1, 1937 no further investments by purchase of shares

will be made by the Home Owners' Loan Corporation except in rehabilitation cases of extreme need.*† [6/1/38]

401.54 Repurchase and withdrawal requirements. Purchase of shares, certificates of deposit and investment certificates will be made by the Corporation only upon the understanding and agreement that no request will be made by the Corporation for the repurchase or withdrawal of such shares, certificates of deposit or investment certificates for a period of 5 years from the date of such purchase and that thereafter no institution shall be requested to repurchase or pay withdrawal requests in any one year in excess of 10 percent of the total amount invested by the Corporation in such institution. Investments repaid voluntarily to the Corporation will be credited upon the next succeeding requests by the Corporation for the repurchase or withdrawal of investments from such institution to the extent of such voluntary repayments. If the applicant proposes at any time after the Corporation has purchased any of its securities to issue securities having participation in assets or earnings which is preferred as to the time or amount of payment to securities which the Corporation has purchased, the applicant will give the Corporation notice in writing of such intention and of the form of certificates evidencing such securities and a 30 days' option to surrender the certificates held by the Corporation in exchange for a like amount of securities having such preferred participation. If the applicant fails to grant such option, to give such notice or to issue to the Corporation in exchange for certificates held by the Corporation certificates for a like amount representing such preferred participation, the Corporation shall have the right forthwith to request the repurchase or withdrawal of such shares.*† [6/1/38]

401.55 Approved applicants. An approved list of applicants for investment by the Corporation shall be established and maintained in the following manner:

Simultaneously with the approval by the Board of the first request for investment by the Corporation in the securities of an applicant, such institution shall be placed upon such an approved list which will be maintained by the General Manager and shall be made available to the Federal Home Loan Banks and such divisions of the Board's activities as the Board shall direct.

Each institution which is placed upon such approved list and which is under the supervision of the Board, as to examination and periodical reports resulting, either from rules and regulations governing its present status, or from its voluntary request for such supervision, shall remain thereon until such time as the Board by its action, based upon information contained in periodic reports filed by such institution or contained in reports of supervisory field examinations or from other sources, removes the institution from such approved list.

Each other institution shall remain on such approved list for a period of 6 months from the date when placed thereon, unless by action of the Board, based upon information received in reports filed by the institution or upon reports of examinations made by its supervisory authority or from other sources, it is removed from the

*†For statutory and source citations, see note to § 401.49.

list before the expiration of the six months period; but any such institution may be reinstated at any time upon such approved list by action of the Board after complying with the provisions as set forth in § 401.52 (b), except that it shall not be necessary for such institution to support such subsequent application with instruments or documents which are exact duplicates of instruments or documents previously filed with its original application as provided in said Section.

So long as any institution remains upon such approved list, it may request investment by the Corporation by filing forms approved by the Board and duly executed forms of securities in the manner and upon the conditions set forth in § 401.51 (c) or in § 401.52 (a) (3) whichever is applicable.*† [6/1/38]

401.56 80 percent loan limitation. No investment will be made in the shares, certificates, or deposits of an institution authorized by law, its charter, or bylaws to lend in excess of 80 percent of the value of real estate securing its loans unless such institution commits itself to Home Owners' Loan Corporation in writing not to lend in excess of 80 percent of the value of the real estate securing its loans while Home Owners' Loan Corporation has an investment in its shares, certificates, or deposits, nor will such investment be made in such institution after its next regular stockholders meeting unless its bylaws are amended limiting its lending to such percentage of value. The foregoing provisions of this section shall not apply with respect to loans insured under Title II of the National Housing Act (48 Stat. 1247; 12 U.S.C. 1707-1715), as amended, and not exceeding the percentage of appraised value permitted under said title, as amended.*† [6/1/38]

401.57 Fidelity bond requirements. The Board of Directors of each institution requesting share purchases by the Home Owners' Loan Corporation shall, before approval of such requests, procure a fidelity bond covering each officer, director or employee who has control over or access to cash or securities of such institution in the regular discharge of his duties; that in lieu of individual bonds for each officer, director or employee, such institution may procure a blanket bond covering all persons having control over or access to its cash and securities; that each of such bonds shall be executed by a responsible surety company or organization acceptable to this Board in a sum of not less than \$2,500 or 2 percent of the assets of such institution up to \$1,250,000, whichever be the greater; and that such bond shall be approved by the board of directors of such institution; and institutions which employ collection agents outside of their home offices or branch offices, if any, who for any reason are not covered by the bond hereinabove described, shall provide for the bonding of such agents in an amount at least twice the average monthly collections of such agents, and that such agents be required to make settlement with the institution at least monthly, that the premiums upon all bonds shall be paid by such institutions, and receipts therefor shall at all times be in their possession.*† [6/1/38]

401.58 Repurchase requests. Requests for the privilege of retiring investments held by the Home Owners' Loan Corporation in

securities of savings and loan associations shall be governed by the following provisions:

(a) No request for the privilege of retiring any such investment held by the Home Owners' Loan Corporation will be approved by this Board unless such request is submitted on a form approved by this Board and unless such request is received by this Board at its office in Washington, D. C., within 30 days subsequent to the last preceding dividend or interest date, accompanied by a check, postal money order or bank draft in the amount of the investment sought to be retired, together with any dividends or interest accrued, but unpaid, on such investment to the last preceding dividend or interest date.

(b) No request by an institution for the privilege of retiring any such investment held by the Home Owners' Loan Corporation will be approved by this Board if such institution has any outstanding investment held by the Secretary of the Treasury until such institution shall have retired or made provision satisfactory to this Board for the retirement of all investments held by the Secretary of the Treasury in such institution.

(c) No request by an institution for the privilege of retiring any investment held by the Home Owners' Loan Corporation in such institution will be approved by this Board unless such institution shall have retired or made provision satisfactory to this Board for the retirement of all investments made by said Corporation in such institution prior to the investment sought to be retired.*† [6/1/38]

401.59 Quadruplicate forms. All forms must be executed in quadruplicate, and three copies sent to the Federal Home Loan Bank of the district wherein the institution is located.*† [6/1/38]

401.60 Discretion of Corporation. Nothing herein contained shall be construed as in any way limiting the freedom of action or discretion of the Corporation in investing in the shares of applicant institutions.*† [6/1/38]

DESIGNATION OF FEDERAL SAVINGS AND LOAN ASSOCIATIONS AS AGENTS

401.61 Federal savings and loan associations, agents of Home Owners' Loan Corporation. The Corporation does hereby designate each Federal savings and loan association as agent of the Corporation to collect for the Corporation the principal and interest upon and otherwise service such of its loans and to collect rent and otherwise manage and service such of its properties as the General Manager shall from time to time specify.

Each Federal savings and loan association from time to time employed as agent of the Corporation shall be subject to the limitations in the exercise of its agency powers set forth in the following agency regulations and in addition thereto, to such other regulations as the Board of Directors of the Corporation may from time to time by resolution prescribe.

*†For statutory and source citations, see note to § 401.49.

(a) **Representations regarding agency.** No Federal savings and loan association employed by the Corporation as its agent pursuant to this resolution shall publicly advertise that it is an agent of the Corporation. No Federal savings and loan association shall otherwise represent itself as an agent of the Corporation except when the association shall actually be engaged in rendering services to the Corporation. No such representation shall be made except in connection with the rendering of its services as agent of the Corporation.

(b) **Collection and transmittal of funds.** Each Federal savings and loan association from time to time employed by the Corporation shall receive payments on account of principal or interest of mortgage loans or on account of rent or the purchase price of property of the Corporation solely for transmittal to the Corporation and all receipts for such sums received by the Federal savings and loan association shall expressly state that such sums are received solely for submission for acceptance or rejection by the Corporation. No such Federal savings and loan association shall have authority to sign any release or acquittance which is binding upon the Corporation.*†
[9/16/36]

PART 402—LOAN SERVICE DIVISION

Sec.		Sec.	
402.00	Establishment of Division.	402.05-19	Necessary repairs.
402.00a	General policy.	402.05-22	Property transfers.
402.00b	Nature of default	402.05-23	Property purchase by Corporation employee.
402.00d	Objectives of servicing.	402.06a	Delinquent taxes.
402.01a	Home office.	402.06b	Payment by Corporation.
402.03d	Analysis and Review Section.	402.06-7	Lists for tax payments.
402.03-21	Notice of foreclosure sent.	402.08	Payments by mail.
402.03f	Partial release and property transfer.	402.09	Field collections.
402.03-29	Procedure for partial release and property transfer.	402.10	Income Producing Reconditioning.
402.03-33	Request for waivers.	402.11	Additional security.
402.03g	Substitution of security.	402.11-1	Procedure.
402.03h	Advances for substitutions.	402.11-2	Approval procedure.
402.03-36	Consent of junior lienors.	402.12	Expenses and advances in servicing.
402.03-37	Complete file.	402.12-1	Procedure.
402.03-39	New note and mortgage.	402.13	Extension of time for payments.
402.03-41	Completion bond and insurance.	402.13-1	General provisions.
402.03-43	Rejected cases.	402.13-2	Legal approval required.
402.03i	Division of mortgaged property.	402.13-4	Form of application.
402.03-44	Execution of instruments.	402.13-5	Co-maker and endorsers liability.
402.03-48	Terms and conditions of new instruments.		Special deposits account
402.03j	Consent to improvements by other Federal agency.	402.14-1	Investigation of request.
402.05b	Real estate cases.	402.14-2	Opening of account.
402.05c	Property inspection.		Miscellaneous credits
402.05d	Caretaker for abandoned property.	402.15	Authority for miscellaneous credits.
402.05e	Property purchase by corporation employee.	402.15-1	Application of miscellaneous credits.
402.05-14	Rental by home owner.	402.15-2	Notice of miscellaneous credits.

Section 402.00 Establishment of Division. The Loan Service Division shall be responsible for the protection of the Home Owners'